Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Sprint Communications Company L.P.	)	ARC-MOD-20020722-00052
	)	
Petition for Modification of the Accounting Rates for International Message Telephone Service and International Switched Digital Service with Vietnam	)	

ORDER

Adopted: August 20, 2002 **Released: August 21, 2002**

By the Deputy Chief, Policy Division, International Bureau:

I. INTRODUCTION

1. In this Order we deny the petition of Sprint Communications Company, L.P. ("Sprint") to introduce a new accounting rate for international message telephone service ("IMTS") and international switched digital service (ISDN) with the international carrier in Vietnam, Vietnam Telecom International ("VTI").[1] On July 26, 2002, the International Bureau ("Bureau") of the Federal Communications Commission ("Commission") suspended the accounting rate modification request filed, pursuant to section 64.1001 of the Commission's rules,[2] by Sprint, in order to prevent a violation of the Commission's benchmarks policy.[3] If the rate contained in the modification were allowed to be effective beginning January 1, 2002, the modification request would violate the benchmark settlement rate of 23 cents for U.S.-Vietnam

[1] The current international accounting rate system was developed as part of a regulatory tradition in which international telecommunications services were supplied through a bilateral correspondent relationship between national monopoly carriers. An accounting rate is the price a U.S. facilities-based carrier negotiates with a foreign carrier for handling one minute of international telephone service. Each carrier's portion of the accounting rate is referred to as the settlement rate. According to the Commission's International Settlement Policy, the settlement rate is equal to one-half of the negotiated accounting rate.

[2] 47 C.F.R. § 64.1001.

[3] *See* Letter from James L. Ball, Chief, Policy Division, International Bureau, to Evan S. Marti, Region Manager, Southeast Asia, Sprint Communications Company L.P. (July 26, 2002).

traffic that the Commission adopted in its *Benchmarks Order.*[4]

II. BACKGROUND

2. On July 23, 2002, Sprint filed a modification seeking to reduce its accounting rate from 0.9 Special Drawing Rights (SDR)[5] per minute to 0.68SDR per minute for IMTS and ISDN service with VTI.[6] These proposed accounting rates, when converted into U.S. dollars, represent an accounting rate reduction from $1.20 per minute to $0.90 per minute for traffic.[7] The new rate is scheduled to take effect for traffic beginning January 1, 2002 and contains no expiration date.

3. The International Bureau suspended the *Sprint Modification* on July 26, 2002 in order to prevent a violation of the Commission's *Benchmarks Order*.[8] Specifically, the proposed 0.68SDR accounting rate, or approximate 45 cent settlement rate, exceeds the 23 cent benchmark settlement rate for Vietnam and could be in effect indefinitely post the applicable benchmark transition deadline of January 1, 2002.

III. DISCUSSION

4. The goal of the Commission's benchmarks policy is to lower U.S.-international accounting rates closer to the actual cost of providing service. Lower, more cost-based rates are

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4 *Report and Order on Regulation of International Settlement Rates,* 12 FCC Rcd 19806 (1997) (*Benchmarks Order*)*, aff'd sub nom., Cable and Wireless P.L.C. v.* FCC*,* 166 F.3d 1224 (D.C. Cir. 1999), *Report and Order on Reconsideration and Order Lifting Stay,* 14 FCC Rcd 9256 (1999) (*Benchmarks Reconsideration Order*).

5 In 1969, the International Monetary Fund (IMF) created the SDR as an international reserve asset, to supplement members' existing reserve assets (official holdings of gold, foreign exchange, and reserve positions in the IMF). The SDR is valued on the basis of a basket of key national currencies and serves as the unit of account of the IMF and a number of other international organizations. *See* www.imf.org.

6 Sprint's Petition for International Settlements Policy Modification for a Change in the Accounting Rate for International Message Telephone Service and International Switched Digital Service with Vietnam, ARC-MOD 20020722-00052 (filed July 23, 2002) (*Sprint Modification*). Sprint states in its modification that IMTS includes the following services: IDD, Sprint Access (Home Country Direct), International Operator Service, and International Toll Free Service. In addition, the Sprint Modification proposes a $2.00 surcharge for all received collect messages. The proposed $2.00 surcharge for collect calls is payable to the non-billing party to compensate that party for the use of its operator service. *See Sprint Modification.*

7 This conversion to U.S. dollars uses the value of 1SDR=$1.33, as posted on the IMF webpage at www.imf.org for July 23, 2002.

8 *See supra* note 4.

in the U.S. public interest because they encourage lower consumer calling prices, promote economic efficiency, and reduce entry barriers. Moreover, artificially-inflated accounting rates negatively affect the development of competition in global markets to the detriment of foreign consumers and the development of the telecommunications sectors in those countries.[9]

5. To further the goal of achieving more cost-based accounting rates, the Commission adopted the *Benchmarks Order*, which requires U.S. carriers to negotiate settlement rates with foreign carriers at or below benchmark levels that will be used to determine settlement payments for service provided after specific transition deadlines. The *Benchmarks Order* requires a settlement rate of 15 cents or less for U.S.-international service with carriers from upper-income countries; 19 cents or less for service with carriers from upper-middle income and lower middle-income countries; and 23 cents or less for service with carriers from low-income countries and those with teledensity less than one.[10] The Commission adopted transition deadlines for the settlement of traffic at each benchmark rate in an effort to take into consideration the difficult task of rate-rebalancing for many developing countries.[11]

6. For countries like Vietnam, which the Commission classifies as a low-income country pursuant to its benchmarks policy, U.S. carriers must negotiate a benchmark settlement rate of no more than 23 cents per minute for service on the U.S.-Vietnam route provided on and after January 1, 2002. Thus, beginning January 1, 2002, the *Benchmarks Order* requires U.S. carriers to use a settlement rate that does not exceed 23 cents for settlement payments for service between the United States and Vietnam. The *Sprint Modification* for U.S.-Vietnam service with VTI contains a settlement rate that exceeds the applicable 23 cent benchmark settlement rate. Moreover, the proposed settlement rate would remain indefinitely in effect after the January 1, 2002 benchmark deadline. While the proposed *Sprint Modification* represents a reduction in the settlement rate from the last negotiated rate of approximately 60 cents per minute and moves it closer to the benchmark rate for the U.S.-Vietnam route, the 0.68SDR accounting rate (approximate 45 cent settlement rate) is still significantly higher than the required benchmark level for traffic provided on and after January 1, 2002.

7. In the *Benchmarks Order*, the Commission stated clearly that it "will ensure

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9 *In the Matter of Policy Statement on International Accounting Rate Reform*, Policy Statement, 11 FCC Rcd 3146 (1996) at 3150, ¶ 38.

10 *Benchmarks Order*, 12 FCC Rcd 19,806 at 19,865, ¶ 120.

11 U.S. carriers are to pay no more than the relevant benchmark rate to foreign carriers for U.S.-international traffic settled as of Jan. 1, 1999 to upper income countries, Jan. 1, 2000 to upper middle income countries, Jan. 1, 2001 to lower middle income countries, Jan. 1, 2002 to low income countries, and Jan. 1, 2003 to low income countries with teledensities less than 1. Teledensity measures the number of access lines per 100 inhabitants.

compliance with our settlement rate benchmarks."[12] The Bureau has previously addressed similar non-compliant modification requests from U.S. carriers.[13] The Bureau concluded in the recent *India Order,* that rates exceeding the benchmark level would violate the *Benchmarks Order* if the rates were in effect beyond the benchmark rate deadline.[14] Likewise, we conclude that the proposed rate in the *Sprint Modification* for the U.S.-Vietnam route, if allowed to become effective, would violate the Commission's policies set forth in the *Benchmarks Order*. In order to prevent a violation of the *Benchmarks Order*, we deny the accounting rate modification requested by Sprint in order to prevent non-compliant rates to be in effect on and after January 1, 2002. We direct Sprint and other U.S. carriers to negotiate, in compliance with the *Benchmarks Order,* a settlement rate of 23 cents or less per minute that will apply to service between the United States and Vietnam, effective for traffic provided on and after January 1, 2002.

IV. ORDERING CLAUSES

9. Accordingly, IT IS ORDERED that Sprint's modification request for an accounting rate of 0.68SDR per minute for IMTS and ISDN services with VTI is denied.

10. IT IS FURTHER ORDERED that U.S. carriers negotiate settlement rates with VTI that comply with the *Benchmarks Order.*

12. This Order is issued pursuant to Sections 0.51 and 0.261 of the Commission's Rules, 47 C.F.R. §§ 0.51 and 0.261, and is effective upon release.

FEDERAL COMMUNICATIONS COMMISSION

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12 *Benchmarks Order*, 12 FCC Rcd at 19894-5, ¶ 187.

13 *See* In the Matter of AT&T and MCI Petitions for Modification of the Accounting Rates for Switched Voice Service with Singapore, Switched Voice and Switched Digital Service with Taiwan, and Switched Voice Service with Brunei, Order, 14 FCC Rcd 3524 (1999) (*Singapore*, *Taiwan*, *and Brunei Order*). *See also* In the Matter of Concert Global Network Services Limited Petition for Modification of the Accounting Rates for Switched Voice Service with Morocco, Order, 16 FCC Rcd 22,468 (2001) (*Morocco Order*); In the Matter of Concert Global Network Services Limited Petition for Modification of the Accounting Rates for Switched Voice Service with Suriname, Order, 16 FCC Rcd 22,464 (2001) (*Suriname Order*); In the Matter of Concert Global Network Services Limited, Worldcom, Inc. Petition for Modification of the Accounting Rates for Switched Voice Service with India, Order, 17 FCC Rcd 4492 (2002) (*India Order*).

14 *See India Order*, 17 FCC Rcd 4492 at 4494, ¶ 6.

Breck Blalock
Deputy Chief, Policy Division
International Bureau